

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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EUR/RPE:EHPREEG (INFO)

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INFO AMEMBASSY CONAKRY

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C O N F I D E N T I A L STATE 050757

E.O. 11652: GDS

TAGS: EINV, EMIN, GV

SUBJECT: GUINEAN BAUXITE DEVELOPMENTS

REF: (A) STATE 46649; (B) CONAKRY 281; (C) CONAKRY 275

1. IN RECENT CONVERSATIONS WITH EMBASSY CONAKRY AND
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DEPARTMENT, NORANDA AND OLIN MATHIESON REPS EXPRESSED GREAT

CONCERN ABOUT GOG DEMAND THAT THE GUINEAN VICE PRESIDENT OF FRIGUIA, REPRESENTING THE GOG, AND A CENTRAL BANK OF GUINEA OFFICIAL COUNTERSIGN ALL AUTHORIZATIONS OF FOREIGN EXCHANGE EXPENDITURE. EFFECTS OF CEDING SUCH NEGATIVE MANAGERIAL CONTROL COULD INCLUDE DELAYED PAYMENTS, GOG DETERMINATION OF SOURCES OF SUPPLY, LOSS OF CREDIT RATING, AND HIGHER COSTS. FRIALCO SHAREHOLDERS CONSIDER THIS GOG DEMAND TO BE POTENTIALLY MORE HARMFUL THAN NEW EXPORT TAX.

2. US EQUITY IN FRIGUIA IS VERY SMALL SINCE OLIN MATHIESON SOLD ITS 48.5 PERCENT SHARE OF FRIALCO TO NORANDA AND PECHINEY IN NOVEMBER 1974; US CITIZENS OWN ABOUT 4 PERCENT OF NORANDA. (TO COMPLETE THE PICTURE, FRIGUIA IS A MIXED COMPANY, 49 PERCENT GUINEAN GOVT, 51 PERCENT FRIALCO; FRIALCO SHAREHOLDERS ARE NOW NORANDA 38.5 PERCENT, PECHINEY 36.5 PERCENT, BRITISH ALUMINUM 10 PERCENT, ALUSWISSE 10 PERCENT, VAW 5 PERCENT.) OLIN REMAINS, HOWEVER, THE HOLDER OF A DOLS 19 MILLION OPIC-INSURED LOAN TO FRIGUIA; THE LOAN MATURES IN 1984, BUT OPIC

INSURANCE TERMINATES IN 1978. THEREFORE OLIN CONTINUES TO PARTICIPATE IN MANAGERIAL DECISIONS THAT COULD EFFECT REPAYMENT OF THE LOAN.

3. IN VIEW OF SMALL AMOUNT OF US EQUITY IN FRIGUIA, USG DOESNOT PLAN TO RAISE ISSUE WITH GOG ON FRIALCO'S BEHALF. NEVERTHELESS, WE ARE INTERESTED IN BEING INFORMED OF ACTIONS OTHER GOVERNMENTS MAY TAKE. OLIN LOAN IS USG INSURED. IT IS POSSIBLE THAT GOG WILL MAKE SIMILAR DEMANDS ON HALCO (CONSORTIUM OF ALCOA, MARTIN MARIETTA, ALCAN, PECHINEY, VAW, AND MONTICATINI-EDISON) WHICH OWNS 51 PERCENT OF THE COMPAGNIE DES BAUXITE DE GUINEE (CBG). IN ADDITION, WE BELIEVE THAT SUCH A MOVE COULD HAVE A SERIOUS NEGATIVE IMPACT ON THE INVESTMENT CLIMATE IN GUINEA AND THEREFORE BE AGAINST THAT COUNTRY'S OWN BEST INTERESTS.

4. WE ASSUME THAT THE CANADIAN GOVERNMENT IS WELL-INFORMED ON THE RECENT GUINEAN MEASURES, SINCE CANADIAN FIRMS ARE LARGE SHAREHOLDERS OF BOTH FRIALCO AND HALCO. CONFIDENTIAL

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REQUEST YOU CONSULT WITH GOC AT APPROPRIATE LEVEL, DRAWING ON THIS AND REFERENCED MESSAGES FOR BACKGROUND INFORMATION, TO EXPRESS OUR DESIRE TO REMAIN IN TOUCH ON THIS ISSUE AND TO BE INFORMED OF ANY ACTIONS THE GOC MAY DECIDE TO TAKE.

5. USG HAS RAISED RELATED ISSUE OF BAUXITE TAX WITH GOC IN A LOW KEY MANNER. THE DEPUTY SECRETARY DID SO IN A MEETING IN THE DEPARTMENT WITH MOUSSA DIAKITE, GOG

MINISTER OF THE INTERIOR AND EX-OFFICIO BOARD CHAIRMAN OF
CBG. AS REPORTED IN STATE 34089 OF FEB 14, 1975, TO
CONAKRY AND OTHER POSTS, QUOTE MR. INGERSOLL MENTIONED
GUINEA'S POSITIVE RECORD IN DEALING WITH US ALUMINUM
COMPANIES (AND OTHER AMERICAN INVESTORS) ADDING HE FELT
GUINEANS SHOULD BE PROUD OF GOOD REPUTATIONS THEY ENJOY
THIS REGARD. OTHERS, ACTING SECRETARY DECLARED, DO NOT
ALWAYS WELCOME US INVESTMENT SO WARMLY. DIAKITE
ACKNOWLEDGED REMARKS ASSERTING GUINEA BELIEVES IN LIVING
UP TO ITS AGREEMENT. UNQUOTE. INGERSOLL

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